RESULTS

For the six months ended 30th June, 2005, the Group recorded a turnover of HK$140,403,000, representing a decrease of 32% over the corresponding period last year. The Group has adopted the new HKFRSs issued by HKICPA starting from this year. Due to the change in accounting policies, the Group had a goodwill impairment loss of HK$7,604,000, additional depreciation in respect of the hotel property of HK$3,750,000 (2004 restated: HK$3,587,000). The interest expense of convertible bonds increased to HK$4,065,000 (2004: HK$994,000. The interest expense for the first half of the year represented an increase of HK$3,071,000 over the corresponding period last year as such adjustment took effect on 1st January, 2005). As such, the operating loss of the Group for the first half of the year rose to HK$22,651,000, representing an increase of 746% over the corresponding period last year.

BUSINESS REVIEW

Fiberboard Operations

In the first half of 2005, the total sales volume of medium density fiberboard amounted to 110,438 cubic meters and the total sales amount was HK$117,736,000, representing a decrease of 24% and 18% over the corresponding period last year respectively. Soaring prices of raw materials have led to rising production costs of medium density fiberboard. Timber prices, in particular, have surged substantially. Apart from an upsurge in timber prices, there was also a shortage of timber supply, resulting in the production workshops' failure to operate at full capacity. This further increased the costs of production. Despite the efforts made by the management of the board factory to improve production technology and reduce operating costs, this could not completely eliminate the factors mentioned above that contributed to rising costs. Accordingly, the operating profit generated by medium density fiberboard operations only amounted to HK$444,000 for the first half of the year.

The turnover of veneer operations amounted to HK$12,583,000 for the first half of 2005, representing a decrease of 48% over the corresponding period last year. The operating loss amounted to HK$5,141,000, comparable to that in the same period last year. Since veneer production is a low-tech industry, many peasants in the region have shifted to be engaged in the production of low-priced veneer sheets, which further drove down the sales prices of veneer sheets. The management of the board factory had attempted to change the mode of operation but failed to get rid of the negative gross margin, and expected that an improvement was unlikely to be seen in the near future. Taking into account the economic effectiveness, the Board of Directors decided to suspend its veneer operations from July this year.

Hotel Operations

Following the implementation of measures such as rationalization of marketing and sales strategy, corporate clients-oriented sales promotion, restructuring of human resources allocation and full utilization of hotel facilities, the turnover of Guilin Plaza Hotel grew by 22% to HK$9,612,000 for the period and the occupancy rate rose from 11% to 61%. Under the new accounting system, the Hotel has additional depreciation of HK$3,750,000, resulting in an operating loss of HK$1,981,000 despite a satisfactory growth in the turnover of hotel operations.

Property Investment

On 6th February, 2005, the Group entered into a land use right transfer agreement with an independent third party relating to the transfer of interests in respect of land lots no. 07, 08 and 09 located at District No. 18, Huizhou City. The transfer amount is RMB51,000,000. As at the date of the report, the Group has received part of the transfer amount totaling RMB10,200,000. As part of such land is illegally occupied, the completion of the above transfer is pending upon completion of matters relating to expulsion of illegal occupants.

On 18th May, 2005, the Group entered into a charter contract with an independent third party to lease all properties of Huizhou International Commercial Building held by the Company with a term of 10 years, generating a stable rental income for the Group.

Financial Situation

As at 30th June, 2005, the Group had total assets of HK$631,270,000 (31st December, 2004 restated: HK$640,897,000) and no bank loans (31st December, 2004: nil). Convertible bonds due in 2007 amounted to HK$186,301,000 (31st December, 2004 restated: HK$168,255,000). Net assets amounted to HK$302,447,000 (31st December, 2004 restated: HK$340,073,000). The gearing ratio was 29.51% (31st December, 2004 restated: 26.25%).

The Group's bank deposits and cash were approximately HK$49,747,000 (2004: HK$35,958,000), which was sufficient to satisfy the Group's future working capital requirements.

Foreign Exchange Exposure

The Group mainly earned revenue and incurred cost in Hong Kong Dollar and Renminbi. The directors consider that the Group's foreign exchange risks are minimal.

PROSPECTS

Despite soaring price of raw materials would incur significant pressure on the fiberboard operations of the Group, the market demand for fiberboard is still promising. In view of this, the Group is currently seeking a timber raw material resources base to ensure the supply of timber raw material; strengthening supply and marketing efforts to reduce production costs as well as enhance management and technological level to increase profitability. Moreover, the Group may be granted a VAT deduction during the year. The Group is, therefore, optimistic about the prospects of fiberboard operations with the establishment of the raw material supply base.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2005, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows :

Name of Director	Number of shares of the Company	Nature of Interest	Notes	% of total issued share capital as at 30th June, 2005
Leung Siu Fai	151,610,779	Corporate	1	16.57%
Kam Hung Chung	58,971,428	Corporate	2	6.44%

Notes :

1. These shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.
2. These shares were held by Sintex Investment Limited in which Mr. Kam Hung Chung had 50% interest.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation as recorded in the register required to be kept under section 352 of the SFO as at 30th June, 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows :

Name	Number of shares	Number of underlying shares in derivative interests *	*Notes*	Capacity	Approximate percentage (in aggregate) of total issued share capital
Leung Siu Fai	151,610,779	—	1	Controlled corporation	16.57%
Mighty Management Limited	151,610,779	—	1	Beneficial owner	16.57%
Industrial and Commercial Bank of China	131,657,142	—		Beneficial owner	14.39%
Nam Keng Van Investment Co. Ltd.	89,271,895	32,592,592	2	—	13.32%
Lau Ming En	700,000	111,111,111		Beneficial owner	12.22%
Fung Kam Wing	—	111,111,111		Beneficial owner	12.14%
Topgrow Limited	—	92,592,592		Nominee for another person	10.12%
Wideco Investment Limited	—	92,592,592		Nominee for another person	10.12%
Delight View Enterprises Limited	—	74,074,074		Nominee for another person	8.10%
Kam Hung Chung	58,971,428	—	3	Controlled corporation	6.44%
Sintex Investment Limited	58,971,428	—	3	Beneficial owner	6.44%
Zhong Baoguo	58,971,428	—	3	Controlled corporation	6.44%
Oriental Trade Ltd.	55,555,555	—		Beneficial owner	6.07%

Name	Number of shares	Number of underlying shares in derivative interests *	*Notes*	Capacity	Approximate percentage (in aggregate) of total issued share capital
Success Digital International Limited	—	55,555,555		Beneficial owner	6.07%
Gearway Limited	—	55,555,555		Nominee for another person	6.07%
He Yongwen	48,917,142	—	4	Controlled corporation	5.35%
New City Holdings Limited	48,917,142	—	4	Beneficial owner	5.35%

* *being unlisted physically settled derivatives interests*

Notes:

1. These 151,610,779 shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.

2. These interests (including derivative interests in respect of 32,592,592 shares) were disclosed by Nam Keng Van Investment Co. Ltd.

3. These 58,971,428 shares were held by Sintex Investment Limited in which Mr. Kam Hung Chung had 50% interest and Mr. Zhong Baoguo had 50% interest.

4. These 48,917,142 shares were held by New City Holdings Limited which was wholly-owned by Mr. He Yongwen.

Save as disclosed above, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEME

The existing share option scheme of the Company was adopted on 20th May, 2003 and is for a term of 10 years from the date of adoption. No option has been granted since the adoption of the share option scheme.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2005. (2004: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

EMPLOYEES

The total number of employees of the Group is approximately 1,247.

The remuneration of each employee of the Group is determined on the basis of his or her responsibility and performance. The Group provides education allowances to the employees.

CORPORATE GOVERNANCE

On 1st January, 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 to the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices. The Company has met the code provisions (those which became effective for accounting period beginning on 1st January, 2005) as set out in the Code with the exception of the following :

Code Provision A.4.2 (last sentence)

The code provision A.4.2 of the Code (the last sentence) provides that, every director (including directors with specific terms) should be subject to retirement by rotation at least once every three years.

The Chairman of the Board and/or the Managing Director of the Company was not subject to retirement by rotation at the annual general meeting of the Company held on 27th May, 2005 in accordance with the provisions of bye-laws before amendment.

To comply with the code provision A.4.2 of the Code, the Company at the annual general meeting of the Company held on 27th May, 2005 passed a special resolution to amend its bye-laws so that all directors are now subject to retirement by rotation at least once every three years.

The audit committee comprising the three independent non-executive directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a general review of the unaudited interim financial statements for the six months ended 30th June, 2005. The interim financial report for the period ended 30th June, 2005 is unaudited, but has been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants, the Company's auditors.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors have confirmed that, in respect of the six months ended 30th June, 2005, they have complied with the required standard as set out in the Model Code.

LIST OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises of the following directors:

Executive Directors

Leung Siu Fai
Kam Hung Chung
Wang Jin Yuan

Independent Non-Executive Directors

Chan Kwok Wai
Chen Da Cheng
You Guang Wu

By Order of the Board
Leung Siu Fai
Chairman

Hong Kong, 23rd September, 2005

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2005

	Notes	Six months ended **30.6.2005** *HK$'000* *(unaudited)*	30.6.2004 *HK$'000* *(unaudited)* *(restated)*
Turnover	3	**140,403**	206,044
Cost of sales and services		**(133,651)**	(188,368)
Gross profit		**6,752**	17,676
Other income		**2,994**	1,159
Selling and distribution costs		**(280)**	(53)
Administrative expenses		**(20,448)**	(20,268)
Impairment loss on goodwill		**(7,604)**	—
Loss from operations	4	**(18,586)**	(1,486)
Finance costs		**(4,065)**	(1,193)
Loss for the period		**(22,651)**	(2,679)
Loss per share	7		
Basic		**HK2.48 cents**	HK0.29 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30.6.2005 HK$'000 (unaudited)	31.12.2004 HK$'000 (audited) (restated)
Non-current Assets			
Investment properties	8	**12,900**	12,900
Property, plant and equipment	8	**254,929**	262,727
Properties held for development		**48,000**	48,000
Leasehold land and land use rights	9	**24,215**	24,482
Goodwill	10	**89,880**	97,484
		429,924	445,593
Current Assets			
Properties held for sale		**104,600**	104,600
Inventories		**30,154**	38,967
Trade and other receivables	11	**16,762**	15,696
Investment in securities		**—**	83
Financial assets at fair value through profit or loss		**83**	—
Bank balances and cash		**49,747**	35,958
		201,346	195,304
Current Liabilities			
Trade and other payables	12	**92,353**	92,023
Deposit received on disposal of properties held for development		**9,623**	—
Tax payable		**2,546**	2,546
Provision for loss in litigation		**38,000**	38,000
		142,522	132,569
Net Current Assets		**58,824**	62,735
		488,748	508,328
Capital and Reserves			
Share capital	13	**91,500**	91,500
Reserves		**210,947**	248,573
		302,447	340,073
Non-current Liabilities			
Convertible notes	14	**186,301**	168,255
		488,748	508,328

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Convertible notes reserve	Hotel property revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2005 as originally stated	91,500	426,372	—	48,068	(57,217)	(199,195)	309,528
Effects of adoption of HKAS16 and HK-INT 2	—	—	—	42,226	—	(42,226)	—
Effects of adoption of HKAS 32 and 39	—	—	30,545	—	—	—	30,545
As restated	91,500	426,372	30,545	90,294	(57,217)	(241,421)	340,073
Effects of adoption of HKAS 39	—	—	—	—	—	(14,975)	(14,975)
Release of revaluation reserve of hotel properties	—	—	—	(2,126)	—	2,126	—
Loss for the period	—	—	—	—	—	(22,651)	(22,651)
At 30th June, 2005	91,500	426,372	30,545	88,168	(57,217)	(276,921)	302,447
At 1st January, 2004 as originally stated	91,500	426,372	—	48,068	(57,217)	(157,502)	351,221
Effects of adoption of HKAS16 and HK-INT 2	—	—	—	38,978	—	(38,978)	—
Effects of adoption of HKAS 32 and 39	—	—	30,545	—	—	—	30,545
As restated	91,500	426,372	30,545	87,046	(57,217)	(196,480)	381,766
Surplus on revaluation of hotel properties	—	—	—	3,587	—	—	3,587
Release of revaluation reserve of hotel properties	—	—	—	(1,963)	—	1,963	—
Loss for the period	—	—	—	—	—	(2,679)	(2,679)
At 30th June, 2004	91,500	426,372	30,545	88,670	(57,217)	(197,196)	382,674

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2005

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
		(restated)
Net cash from operating activities	**15,068**	29,945
Net cash (used in) from investing activities	**(1,279)**	628
Net cash used in financing activities	**—**	(22,953)
Increase in cash and cash equivalents	**13,789**	7,620
Cash and cash equivalents at beginning of period	**35,958**	31,858
Cash and cash equivalents at end of period, represented by bank balances and cash	**49,747**	39,478
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**49,747**	39,478

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules) and with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting.

The condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005.

2. PRINCIPAL ACCOUNTING POLICIES - continued

The applicable new HKFRSs are set out below and the 2004 accounts have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HK-INT 2	The Appropriate Policies for Hotel Properties

2. PRINCIPAL ACCOUNTING POLICIES - continued

The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of goodwill, convertible notes and property, plant and equipment have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In the current period, the Group has applied HKFRS 3, Business Combinations, which is effective for business combinations for which the agreement date is on or after 1st January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January 2005 onwards and goodwill will be tested for impairment at least annually/in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Financial Instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the Group is in relation to convertible loan notes issued by the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. Comparative loss for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see Note 2A for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Financial Instruments - continued

Debt or equity securities previously accounted for under the alternative treatment of SSAP 24

By 31st December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Hotel Properties

Hong Kong Interpretation 2 The Appropriate Accounting Policies for Hotel Properties clarifies the accounting policy for owner-operated hotel properties. In previous periods, the Group's self-operated hotel properties were carried at revalued amounts and were not subject to depreciation. Hong Kong Interpretation 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16, Property, Plant and Equipment, and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the revaluation model. In the absence of any specific transitional provisions in Hong Kong Interpretation 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 2A for the financial impact).

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. This change has had no material effect on the results for the both periods.

The adoption of other new HKFRSs does not result in substantial changes to the Group's accounting policies except certain presentation and disclosure of the accounts would be affected on the 2005 half year and annual reports.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

Effect of changes in the accounting policies on consolidated income statement for the current and prior period are as follows:

	Effect of adopting			
	HKAS 16 & HK-Int 2	**HKAS 32 & HKAS 39**	**HKFRS 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30.6.2005				
Increase in depreciation	3,750	—	—	3,750
Increase in finance cost	—	3,071	—	3,071
Decrease in goodwill amortization	—	—	(2,809)	(2,809)
Increase in impairment loss of goodwill	—	—	7,604	7,604
Total increase in loss	3,750	3,071	4,795	11,616
Increase in basic loss per share (cents)	0.41	0.34	0.52	1.27

	Effect of adopting			
	HKAS 16 & HK-Int 2	**HKAS 32 & HKAS 39**	**HKFRS 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30.6.2004				
Increase in depreciation	3,587	—	—	3,587
Total increase in loss	3,587	—	—	3,587
Increase in basic loss per share (cents)	0.39	—	—	0.39

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

Effect of changes in accounting policies on consolidated balance sheet for the current period and prior year are as follows:

	Effect of adopting				
	HKAS 16 & HK-Int 2	HKAS 17	HKAS 32 & HKAS 39	HKFRS 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30.6.2005					
Increase/ (decrease) in assets					
Property, plant and equipment	(3,750)	(24,215)	—	—	(27,965)
Land use right	—	24,215	—	—	24,215
Goodwill	—	—	—	(4,795)	(4,795)
Financial assets at fair value through profit or loss	—	—	83	—	83
Investment in securities	—	—	(83)	—	(83)
	(3,750)	—	—	(4,795)	(8,545)
Increase/ (decrease) in liabilities/equity					
Convertible notes	—	—	(12,499)	—	(12,499)
Convertible notes reserve	—	—	30,545	—	30,545
Hotel property revaluation reserve	40,100	—	—	—	40,100
Accumulated losses	(43,850)	—	(18,046)	(4,795)	(66,691)
	(3,750)	—	—	(4,795)	(8,545)

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

	Effect of adopting				
	HKAS 16 & HK-Int 2	**HKAS 17**	**HKAS 32 & HKAS 39**	**HKFRS 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31.12.2004					
Increase/ (decrease) in assets					
Property, plant and equipment	—	(24,482)	—	—	(24,482)
Land use right	—	24,482	—	—	24,482
	—	—	—	—	—
Increase/ (decrease) in liabilities/equity					
Convertible notes	—	—	(30,545)	—	(30,545)
Convertible notes reserve	—	—	30,545	—	30,545
Hotel property revaluation reserve	42,226	—	—	—	42,226
Accumulated losses	(42,226)	—	—	—	(42,226)
	—	—	—	—	—

3. SEGMENT INFORMATION

	For the six months ended 30th June			
	2005		2004	
	Turnover	**Segment results**	Turnover	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(unaudited)	***(unaudited)***	*(unaudited)*	*(unaudited)*
				(restated)
By business segments:				
Fibreboard and veneer	**130,319**	**(4,697)**	167,619	2,773
Hotel operations	**9,612**	**(1,981)**	7,893	(2,267)
Property investment	**472**	**276**	30,532	5,929
	140,403	**(6,402)**	206,044	6,435
Interest income		**146**		76
Unallocated corporate expenses		**(12,330)**		(7,997)
		(18,586)		(1,486)
Finance costs		**(4,065)**		(1,193)
Loss for periods		**(22,651)**		(2,679)

3. **SEGMENT INFORMATION** - continued

	For the six months ended 30th June			
	2005		2004	
	Turnover	**Segment results**	Turnover	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(unaudited)	***(unaudited)***	*(unaudited)*	*(unaudited)*
				(restated)
By geographical segments:				
The People's Republic of China, other than Hong Kong	**139,931**	**(6,675)**	181,551	6,545
Hong Kong	**472**	**273**	24,493	(110)
	140,403	**(6,402)**	206,044	6,435
Interest income		**146**		76
Unallocated corporate expenses		**(12,330)**		(7,997)
		(18,586)		(1,486)
Finance costs		**(4,065)**		(1,193)
Loss for the period		**(22,651)**		(2,679)

4. **LOSS FROM OPERATIONS**

Loss from operations has been arrived at after charging:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
		(restated)
Depreciation of property, plant and equipment	**9,219**	9,157
Amortisation of land use right	**267**	267
Amortisation of goodwill	**—**	2,809

5. TAXATION

No provision for Hong Kong Profits Tax or overseas taxation has been made in the financial statements as the Company and its subsidiaries have no assessable profits for either period.

At the balance sheet date, the Group has unused tax losses of HK$14,412,000 (2004: HK$14,412,000) available for offsetting against future profits. No deferred tax assets have been recognised as it is uncertain whether there will be assessable profits in the future.

6. DIVIDENDS

The Board does not declare any interim dividend for the six months ended 30th June, 2005 (2004: Ni1).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of HK$22,651,000 (30th June, 2004 (restated): a loss of HK$2,679,000) and on 914,995,817 ordinary shares (30th June, 2004: 914,995,817 ordinary shares) in issue during the period.

No diluted loss per share has been presented for the periods because the exercise of conversion of the Company's outstanding convertible notes would result in a decrease in loss per share from continuing ordinary operations for both periods.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's hotel property and investment property were last revalued at 31st December 2004. Valuation was made on the basis of open market value by Associated Surveyors & Auctioneers Ltd., and independent firm of professional valuers.

At 30th June, 2005 the directors considered the carrying amounts of the Group's investment properties carried at the revalued amounts and estimated that the carrying amounts as at 30th June, 2005 do not differ significantly from the open market value of those properties as at 31st December, 2004. Consequently, no revaluation surplus or deficit has been recognised in the current period.

At 30th June, 2005, the directors consider the carrying amounts of the Group's hotel property were carried at revalued amounts and were subject to depreciation. Consequently, hotel revaluation reserve has been release HK$2,126,000 to accumulated profit in current period.

9. LEASEHOLD LAND AND LAND USE RIGHT

The group's interests in leasehold land and land use rights represent prepaid operation lease payments. The leasehold land is held outside Hong Kong and with a lease term within 10 to 50 years.

10. GOODWILL

The goodwill is arising on acquisitions on subsidiaries in 2002.

The Group's Goodwill was revalued at 30th June 2005. Valuation was made on the basis of open market value by Associated Surveyors & Auctioneers Ltd., and independent firm of professional valuers. Impairment has been recognised in the current period.

This valuation gave a rise to impairment loss of HK$7,604,000, which has been charged to the consolidated income statement.

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. The following is an aging analysis of the Group's trade receivables at the reporting date:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0 - 60 days	**8,996**	6,316
61 - 90 days	**644**	1,385
91 -120 days	**240**	481
> 120 days	**1,585**	1,417
Trade receivables	**11,465**	9,599
Other receivables	**5,297**	6,097
	16,762	15,696

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables at the reporting date:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0 - 60 days	**2,899**	6,091
61 - 90 days	**1,466**	3,155
91 - 120 days	**256**	1,335
> 120 days	**4,280**	4,015
Trade payables	**8,901**	14,596
Other payables	**83,452**	77,427
	92,353	92,023

13. SHARE CAPITAL

	Number of shares		Nominal Value	
	30.6.2005	31.12.2004	**30.6.2005**	31.12.2004
			HK$'000	*HK$'000*
	(unaudited)	*(audited)*	***(unaudited)***	*(audited)*
Ordinary shares of HK$0.10 each				
Authorised:	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:	**914,995,817**	914,995,817	**91,500**	91,500

14. CONVERTIBLE NOTES

The fair value of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible note reserve.

The fair value of the liability component of the convertible notes at 30th June 2005 amount to HK$186,301,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 4.5%.

Interest expenses on the notes are calculated using the effective interest method by applying the effective interest rate of 4.5% to the liabilities component.

15. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 30th June 2005, the Group had outstanding lease commitments for future minimum lease payments under non-cancellable operating lease in respect of rented premises and plant and machinery, which falling due as follows:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Within one year	**21,933**	22,619
In the second to fifth years inclusive	**12,864**	21,510
	34,797	44,129

The Group as lessor

At 30th June 2005, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Within one year	**540**	658
In the second to fifth years inclusive	**1,012**	191
	1,552	849

16. CONTINGENT LIABILITIES

a. On 16th January, 2004, the Company's subsidiaries Nanhai Heng Da Timber Company Limited ("Heng Da") and Nanhai Jia Shun Timber Company Limited ("Jia Shun") both received summons issued by the Intermediate People's Court of Foshan City, Guangdong Province, the People's Republic of China (the "Court") regarding a bank loan contract dated 23rd May, 2003 was entered into between Nanhai Heng Yi Timber company Limited("Heng Yi"), an independent third party, as borrower and the Shenzhen Development Bank Foshan Branch (the "Claimant") as lender in relation to a loan facility in a sum of RMB40,000,000 (equivalent to approximately HK$38,000,000) and that the Claimant has advanced such loan to Heng Yi. The summons also included a guarantee dated 23rd May, 2003 entered into by, among others, Jia Shun, Heng Da and Nanhai Hua Guang Decorative Board Company Limited ("Hua Guang") in favour of the Claimant in relation to such loan (the "Claims"). As the operations of Hua Guang were suspended and Hua Guang was one of the guarantors in relation to the bank loan, Jia Shun and Heng Da, among others, should make full repayment of the loan and interest thereon before maturity under the bank loan contract.

   We have not been able to obtain direct confirmations in respect of the amount of bank guarantees. Accordingly, we have been unable to satisfy ourselves as to whether the contingent liabilities had been properly disclosed in the financial statements.

   Jia Shun and Heng Da had reported to the Public Securities Bureau in Nanhai, PRC on 23rd March, 2004 that, among other things:

   (i) without the knowledge of board of directors of the Company and the respective board of directors of Jia Shun and Heng Da (except Mr. Sun Pak Fun who could not be contacted), the company chops of Heng Da and Jia Shun, and the name chop of Mr. Sun Pak Fun, the then legal person representative and chairman of board of directors of Jia Shun and Heng Da, were affixed to the aforesaid guarantees;

   (ii) neither Jia Shun nor Heng Da had any record recording any details of the aforesaid guarantees; and

   (iii) the claims were suspected to involve criminal offence.

   The Group will deny liability and contest the Claims vigorously. The Directors consider that the Claimant does not have any valid claim against Heng Da and Jia Shun in relation to the Claims, and they strongly believe that the Group can successfully defend against the Claims.

16. CONTINGENT LIABILITIES - continued

b. The Group had a maximum contingent consideration of HK$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage. However, as the vendor being uncontactable, the Directors have been unable to ascertain whether this amount has been properly dealt with, which will become payable, among others, when the consolidated net profit of Can Manage and its subsidiary, namely Jia Shun, achieved an amount of HK$80,000,000. However, the operation of Jia Shun was suspended during the period from 17th August, 2003 to 10th October, 2003 due to there was a failure in the supply of electricity and steam from the power plant operated under the power supply agreement and a court order dated 19th August, 2003 to freeze Jia Shun's assets in relation to an alleged claim from the Shenzhen Development Bank Foshan Branch. In addition, the production facilities were substantially different from those prior to the suspension. In view of all the above incidences, couple with the fact that the vendor was not contactable up to the date of this report, the directors could not reasonably ascertain the amount of contingent consideration, if any, which has to be paid to the vendor.

17. EVENT AFTER THE BALANCE SHEET DATE

On 6th February 2005, the Group entered into a land use right transfer agreement ("Principal Agreement') with an independent third party for the disposal of the property under development, a piece of land (the "Sales Land") situated in District No.18 Jiangbei, Huizhou, Guangdong Province, PRC, held by Wise Lite Limited, Skyway Limited and Fairwind International Limited at a consideration of RMB51,000,000.

Owing to the fact that certain squatters are unlawfully occupying the Sales Land, the Group is obliged to evacuate the squatters in order to complete the sale. As it takes time to do so, the Group had entered into a supplemental agreement with the Purchasers to amend the payment terms of the Principal Agreement and set the deadline for evacuation the squatters.

On 31st July 2005, the Group entered into a Further Supplemental Agreement with the Purchaser that the Purchaser agreed to further extend the deadline for evacuation of the squatters from the Sales Land until the date on which the Group had evacuated the squatters from the Sales Land, upon which the Purchaser shall pay to the Group part of the consideration for the transfer of the Sales Land in the sum of RMB20,000,000 (approximately HK$19,230,000).